
Bond market outlook and main developments

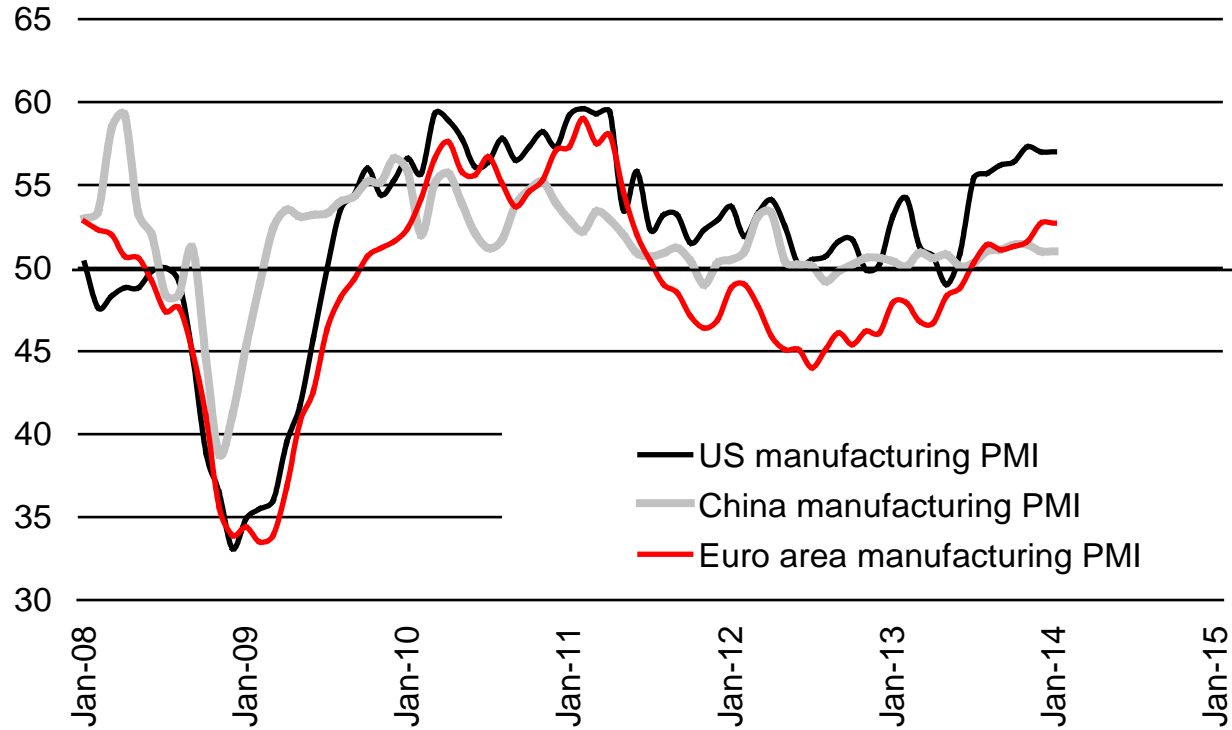
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ECB Bond Market Contact Group
21 January 2014

GDP - improving in the Euro Area

Real GDP (qoq)	4Q13	1Q14	2Q14	3Q14	4Q14	annual 2014	
						UC	Cons.
Euro area	0.2	0.4	0.4	0.5	0.5	1.5	1.0
Germany	0.5	0.6	0.8	0.9	0.7	2.5	1.7
France	0.2	0.3	0.4	0.4	0.5	1.1	0.8
Italy	0.1	0.3	0.3	0.4	0.4	0.7	0.5
Spain	0.1	0.2	0.3	0.3	0.4	0.8	0.5
CPI yoy	4Q13	1Q14	2Q14	3Q14	4Q14	annual 2015	
						UC	Cons.
Euro area	0.9	0.9	1.2	1.1	1.4	1.2	1.4
Germany	1.4	1.5	1.4	1.3	1.5	1.4	1.8
France	0.7	1.1	1.4	1.4	1.8	1.4	1.4
Italy	0.8	1.0	1.3	1.2	1.5	1.3	1.4
Spain	0.3	0.4	1.2	1.0	1.6	1.1	1.0

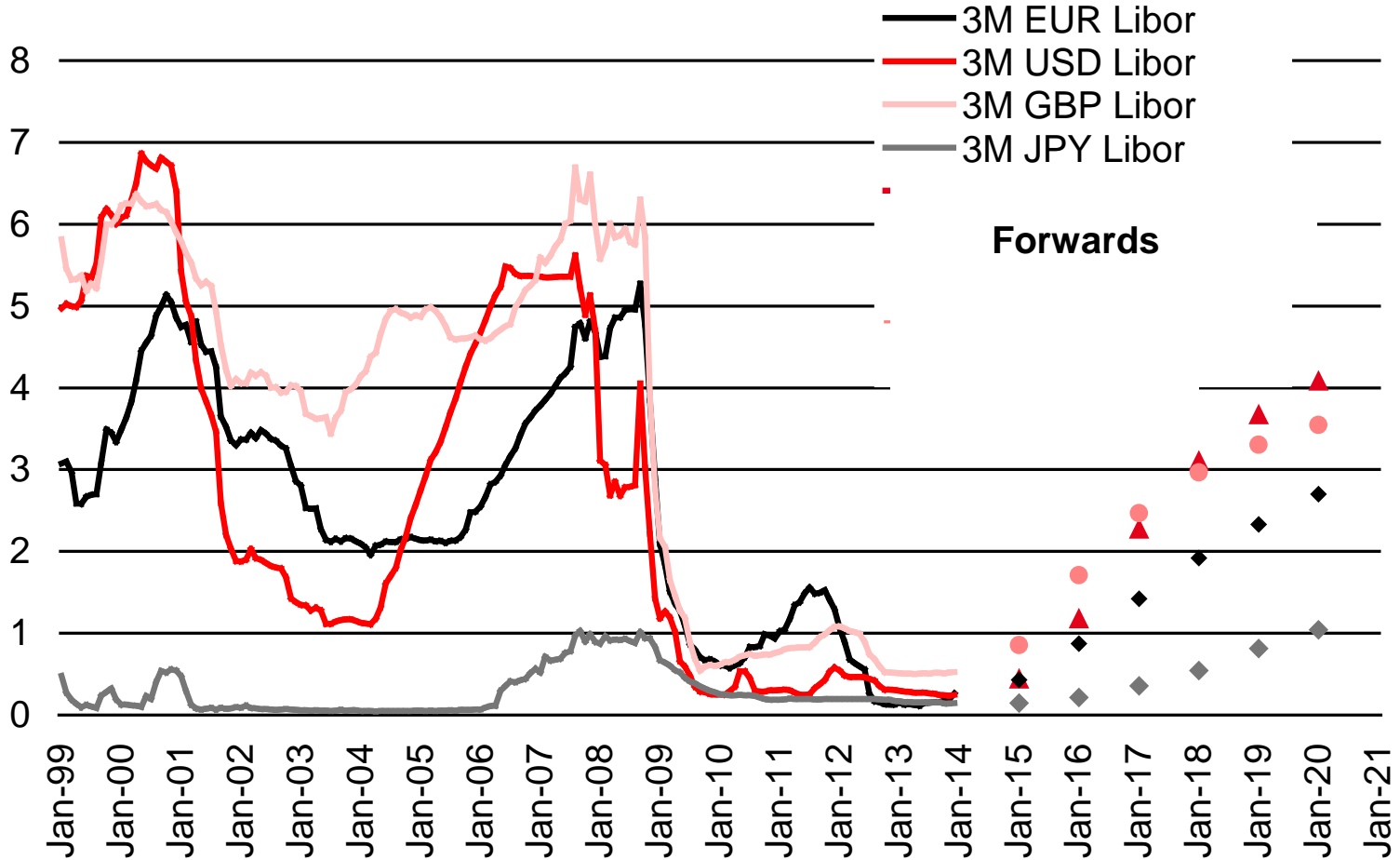
source: UniCredit Research / Bloomberg

Manufacturing PMI - Trends Positive



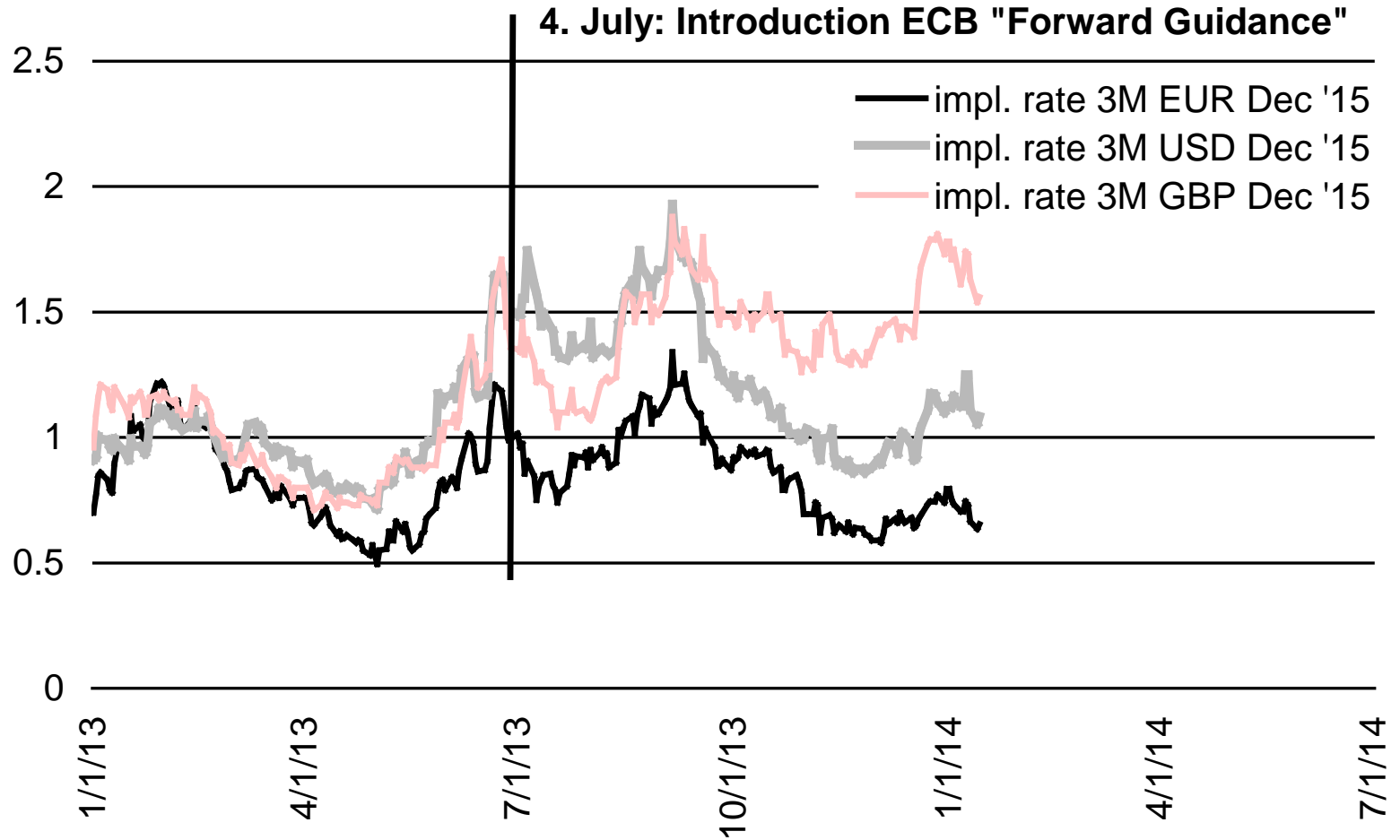
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Money Market Expectations - Cautious



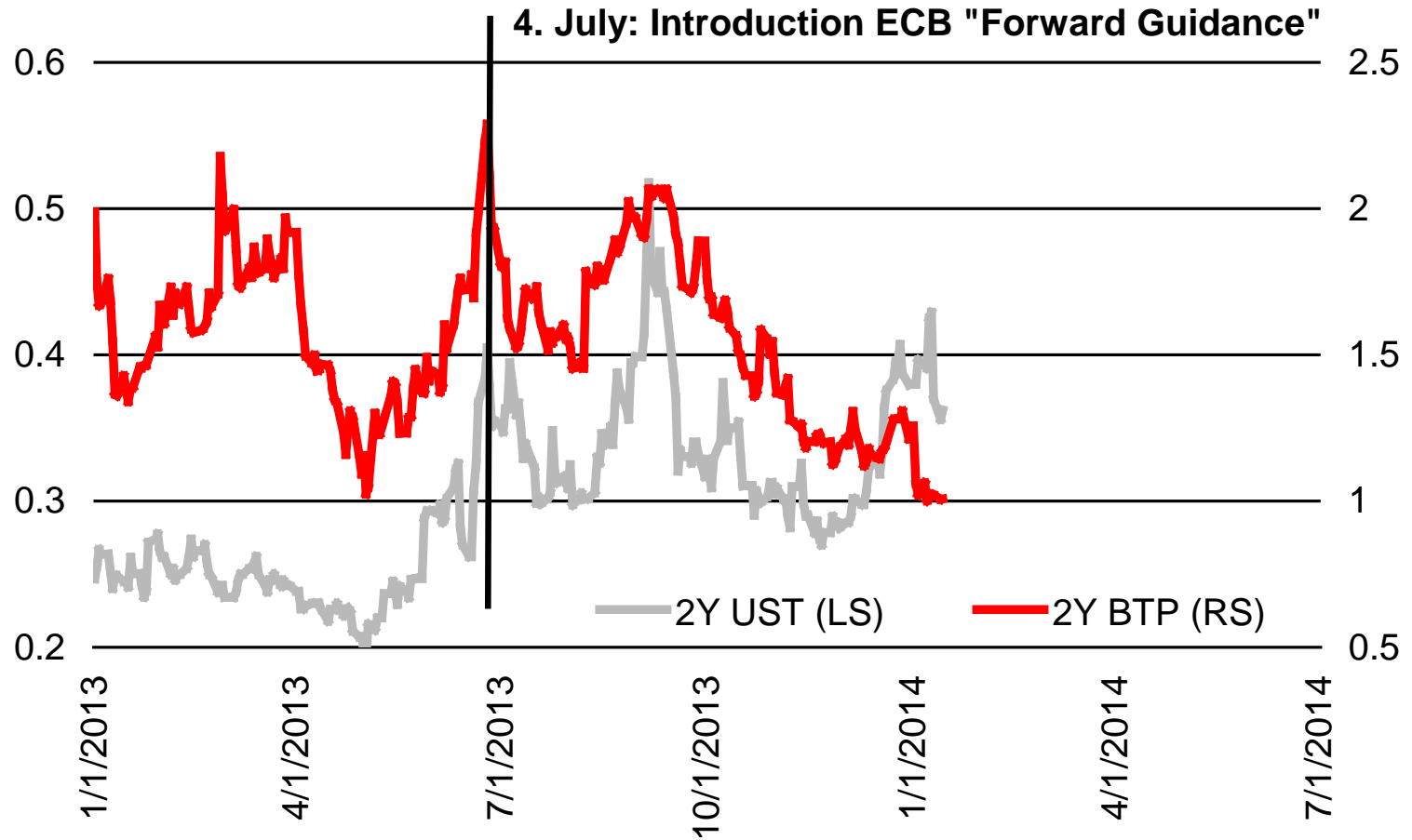
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ECB "Forward Guidance" - effective ?



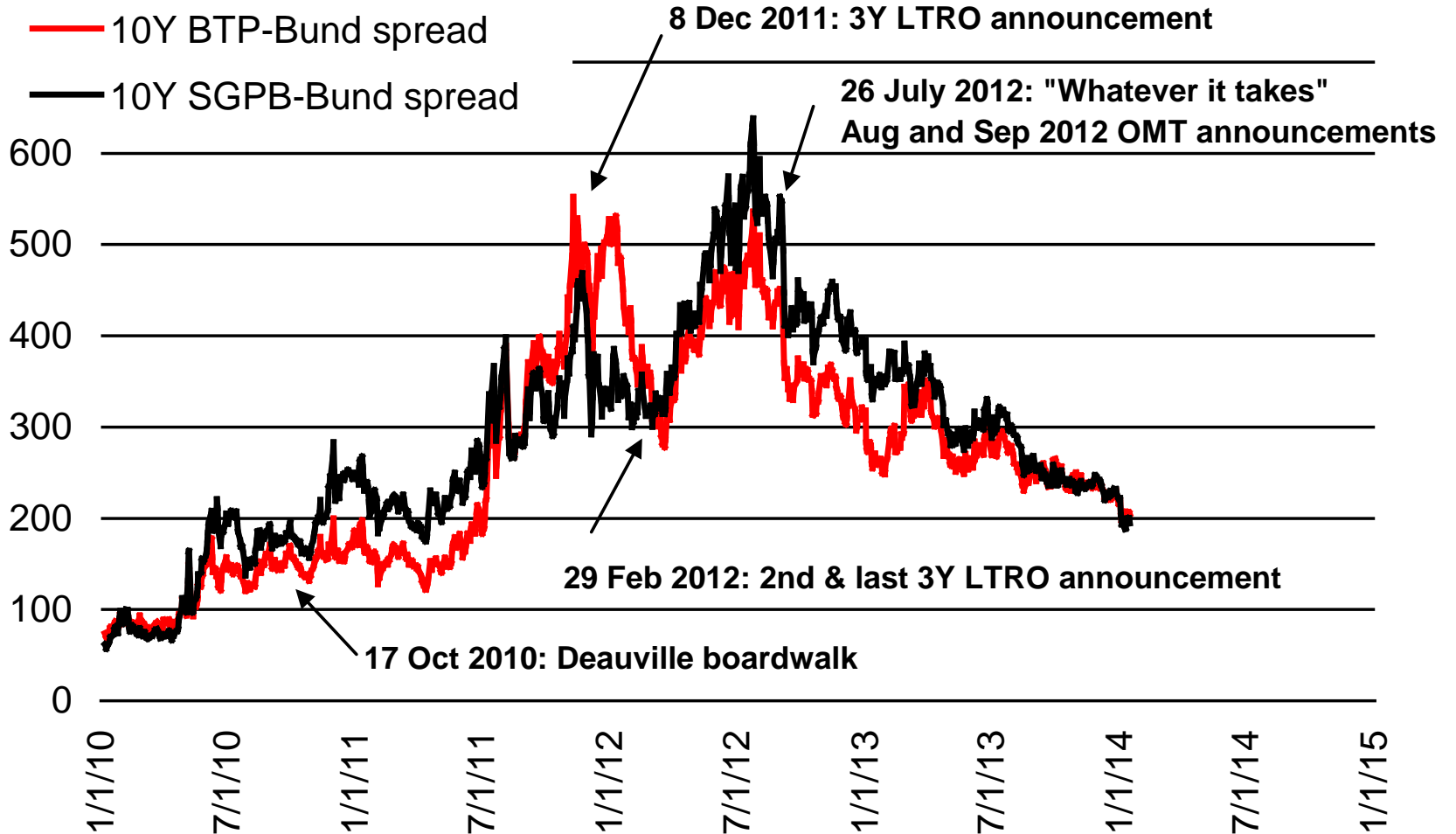
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Yes for Periphery



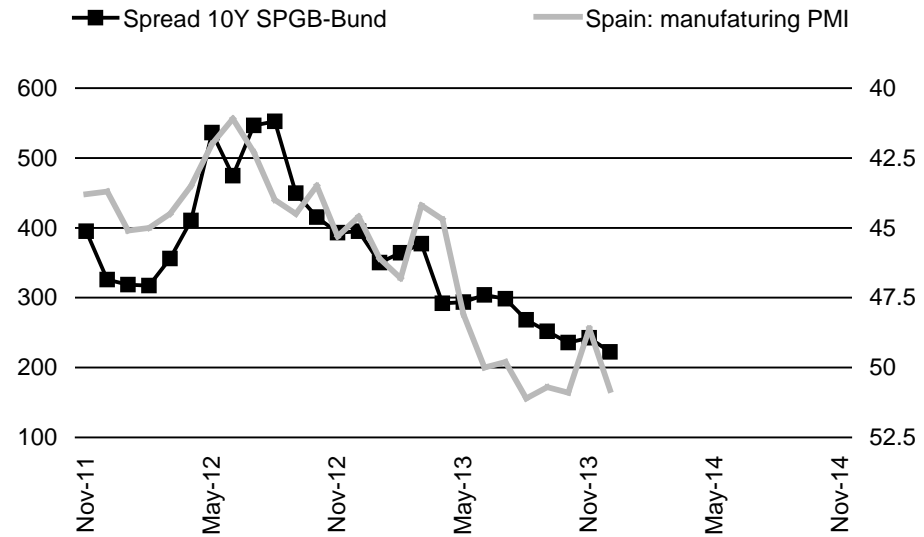
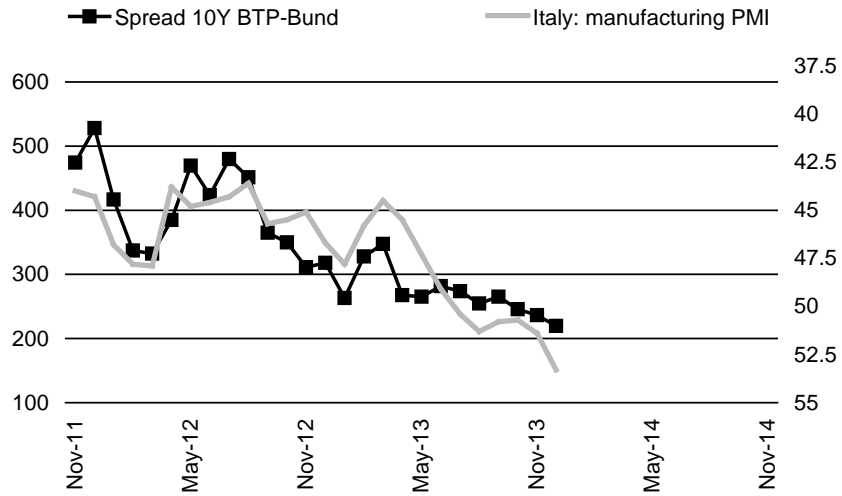
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Pro EUR investment awarded



source: UniCredit Research / Bloomberg

Periphery - not only depending on Domestic Banks



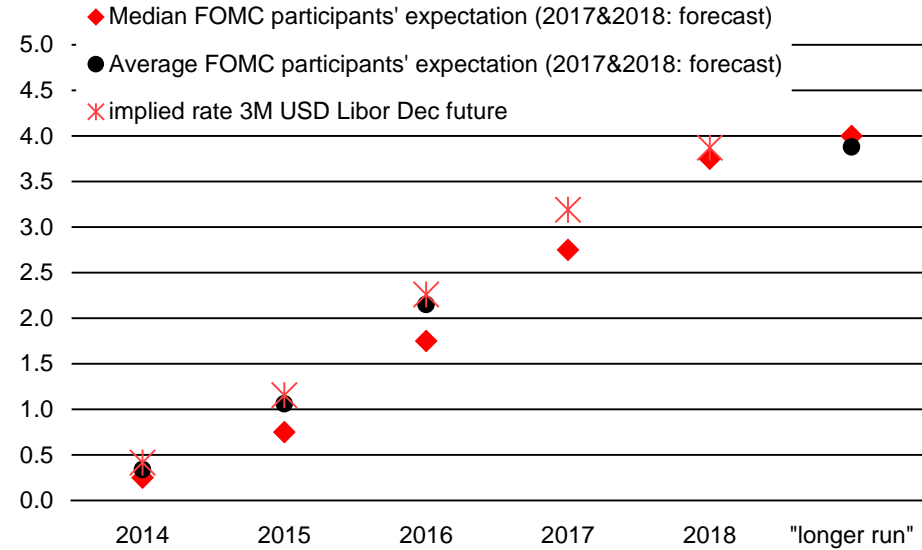
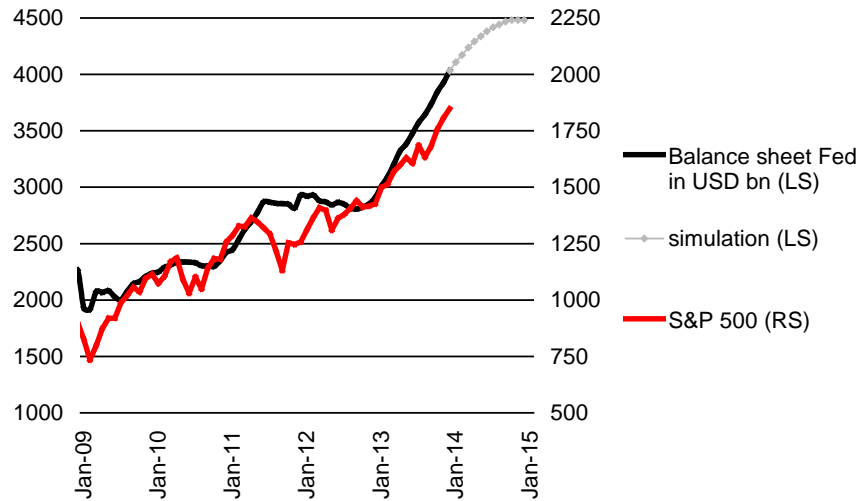
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Unicredit forecasts

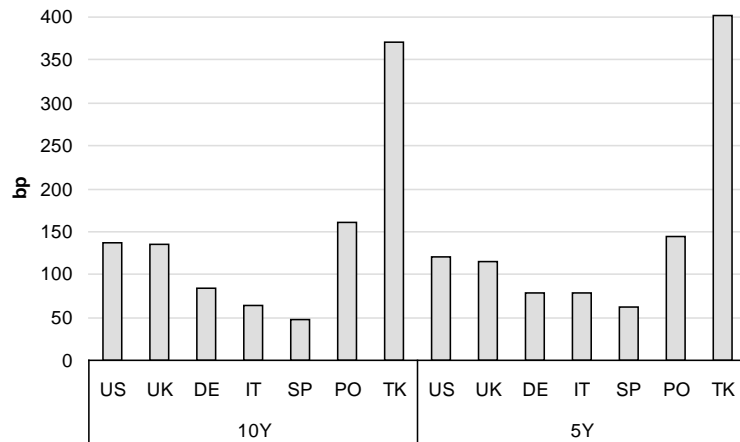
EU	Current	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Key rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50
3M	0.28	0.20	0.20	0.25	0.25	0.25	0.30	0.60	0.70
2Y	0.21	0.20	0.30	0.40	0.55	0.75	1.00	1.35	1.65
5Y	0.88	0.85	1.00	1.15	1.35	1.60	1.90	2.15	2.35
10Y	1.89	1.95	2.15	2.35	2.50	2.70	2.90	3.05	3.20
30Y	2.76	2.85	3.05	3.25	3.40	3.50	3.60	3.75	3.80
2/10	168	175	185	195	195	195	190	170	155
2/5/10	-35	-45	-45	-45	-35	-25	-10	-10	-15
10/30	87	90	90	90	90	80	70	70	60
2Y SwSp	33	30	25	25	25	20	20	20	20
10Y SwSp	27	20	20	20	15	15	15	15	15
10Y BTP/bund	200	225	200	190	180	170	160	155	150

source: UniCredit Research / Bloomberg

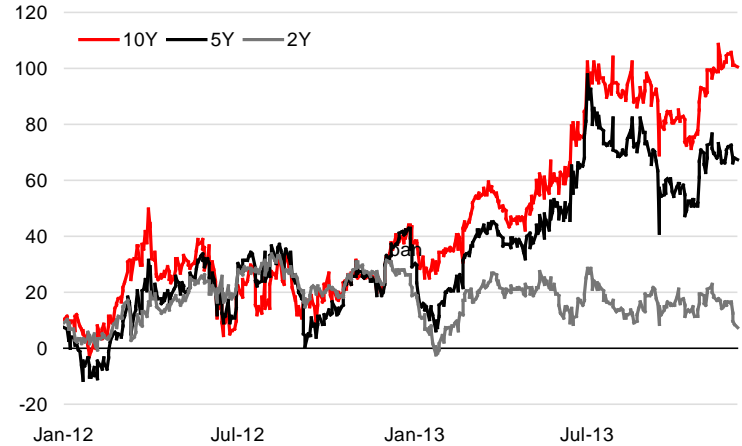
FED Tapering and Forward Guidance



Fed tapering: Impact on other FI Markets

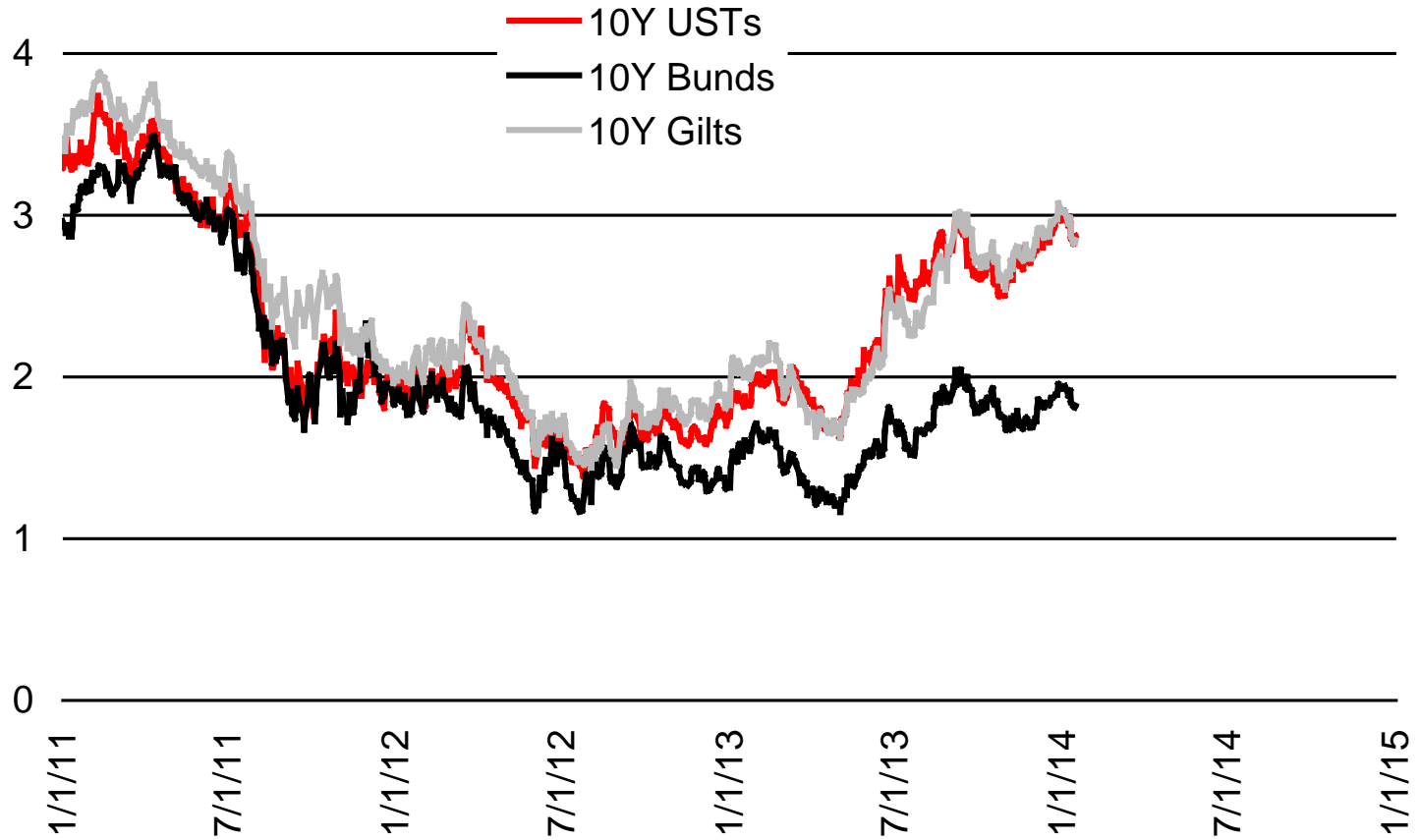


UST vs. Bunds – Recent spread performance



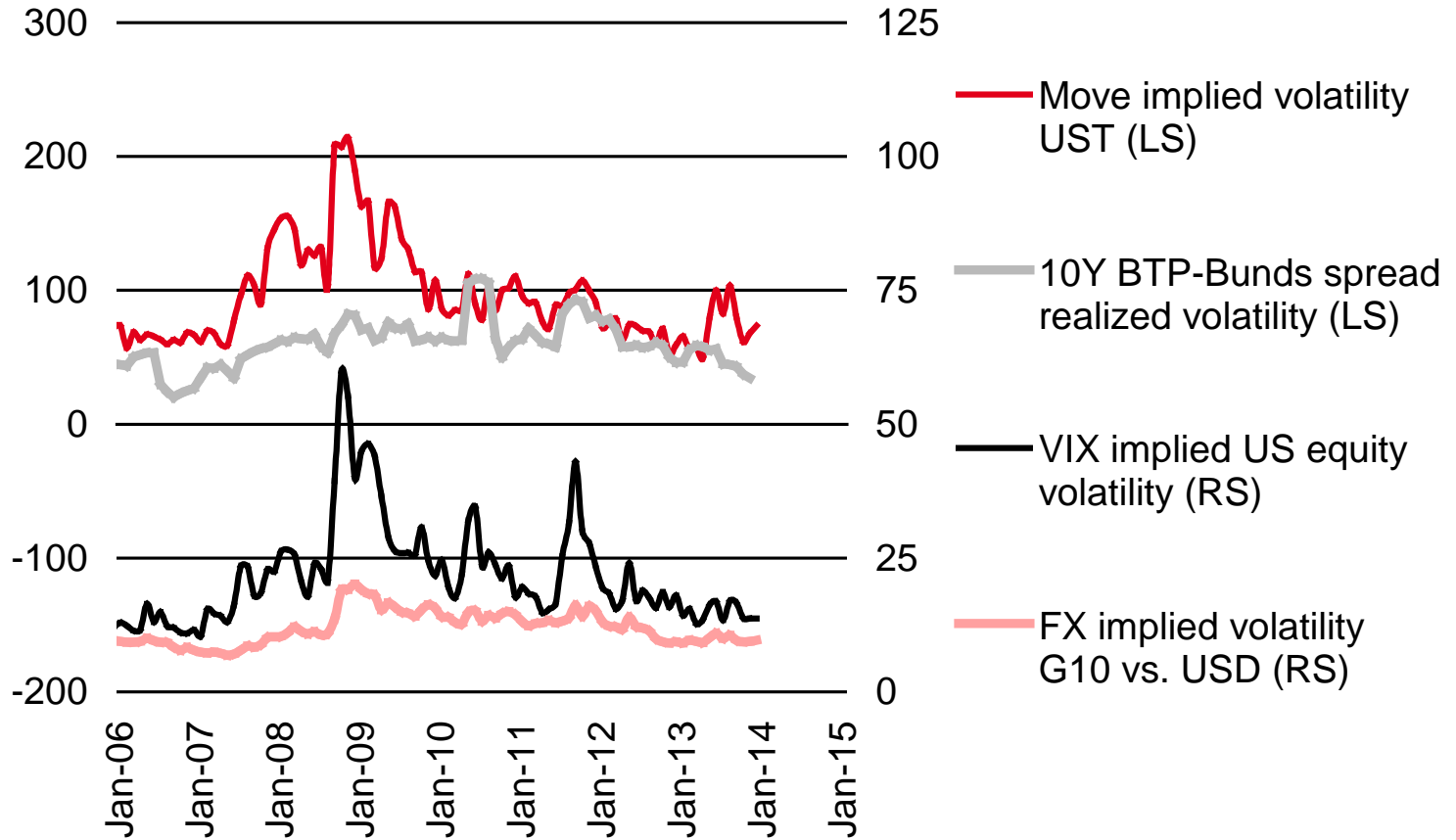
source: UniCredit Research / Bloomberg

UST - further Decoupling ?



source: UniCredit Research / Bloomberg

Core / Risk - What will be more volatile ?



source: UniCredit Research / Bloomberg

Further Regulatory Effects on Market and Liquidity ?

- Holding Period Limitations
- Short Selling Restrictions
- Mifid and Transparency
- FTT

Topics for discussion

- Economic uptrend sustainable ?
- Efficiency of Central Bank Guidance
- Political and Regulatory Risks
- Market Liquidity